

**Congress of the United States**  
**U.S. House of Representatives**  
**Committee on Small Business**  
2361 Rayburn House Office Building  
Washington, DC 20515-6515

July 24, 2023

The Honorable Jerome Powell  
Chairman  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, D.C. 20551

The Honorable Michael S. Barr  
Vice Chair for Supervision  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, D.C. 20551

Dear Chairman Powell and Vice Chair Barr,

We write to you with grave concerns regarding the impact the Basel III Endgame proposal will have on small businesses and their ability to access affordable and reliable credit across the country. We fear that the efforts undertaken by your agency to increase capital on our already-well-capitalized banking system will inadvertently impede small business growth and their contributions to our economy.

As representatives of the small business community, we witness firsthand the challenges faced by entrepreneurs and small business owners in securing adequate funding for their ventures. Small businesses are the backbone of our economy, generating jobs, driving innovation, and fostering local economic development. However, they often operate with limited financial resources and rely heavily on loans and credit lines from banks of all sizes to sustain and expand their operations.

Although targeted at banks with assets above \$100 billion, these new capital requirements have the potential to affect the interconnectedness of financial institutions, financial market liquidity, and overall systemic risk. This economic reverberation could ultimately affect small businesses' ability to secure affordable credit, as increasing bank capital will lead to increased borrowing costs and reduced credit access. Small businesses rely on access to credit to support Main Street and millions of Americans will feel the Federal Reserve's changes ripple through the economy.

Moreover, new capital requirements could influence market dynamics by shifting investment preferences and altering risk appetite. As large banks adjust their business models and practices to comply with the requirements, there may be unintended consequences in the form of increased concentration of risk in certain areas of the financial system or asset bubbles in specific markets, limiting credit availability for small businesses.

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Furthermore, the interplay between large banks and smaller financial institutions should not be overlooked. Changes in capital requirements for the former could indirectly impact the latter, potentially affecting their lending practices, stability, and overall competitiveness.

Given the interconnectedness of financial institutions and markets, it is essential to carefully evaluate the broader implications of capital requirements to ensure they promote a stable and resilient financial system without unduly stifling economic growth. As policymakers, it is incumbent upon us to strike a delicate balance that fosters both financial stability and a conducive environment for sustainable economic development.

We urge you to consider the consequences this proposal will have on small businesses across the nation and request a comprehensive examination of the potential impact on small business lending and the adoption of measures to mitigate any adverse consequences no later than Monday, August 21, 2023.

Thank you for your attention to this matter, and we look forward to your engagement with the Committee on this important matter.

In God We Trust,



Roger Williams  
Chairman  
House Committee on Small Business



Dan Meuser  
Chairman  
Subcommittee on Economic  
Growth, Tax, and Capital Access

CC: Governor Michelle W. Bowman, Board of Governors of the Federal Reserve System  
Governor Lisa D. Cook, Board of Governors of the Federal Reserve System  
Governor Phillip N. Jefferson, Board of Governors of the Federal Reserve System  
Governor Christopher J. Waller, Board of Governors of the Federal Reserve System  
Chairman Martin J. Gruenberg, Federal Deposit Insurance Corporation  
Acting Comptroller Michael J. Hsu, Office of the Comptroller of the Currency.